



Director of
Central
Intelligence

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National Intelligence Daily

Friday
20 May 1988

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20 May 1988

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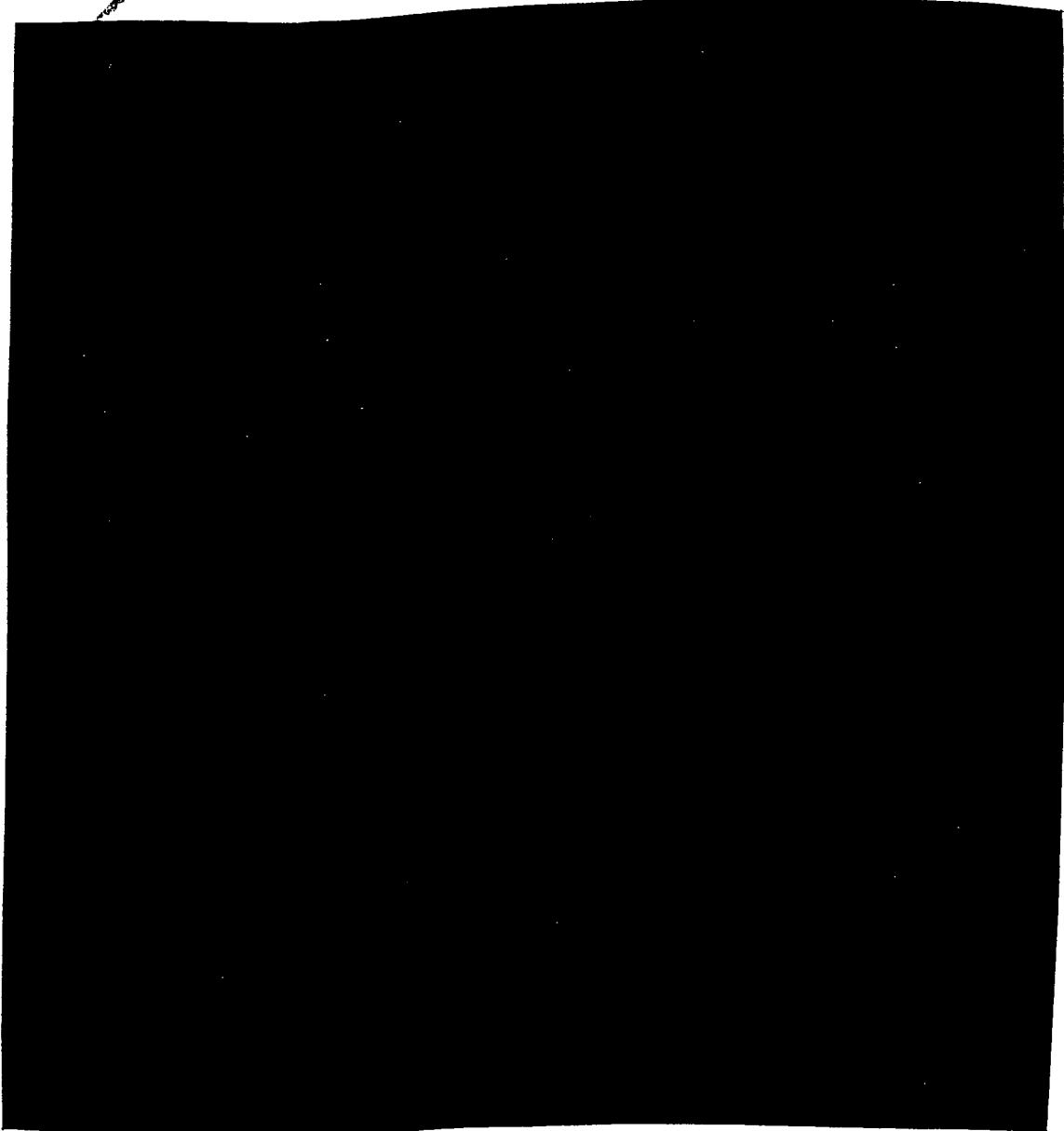
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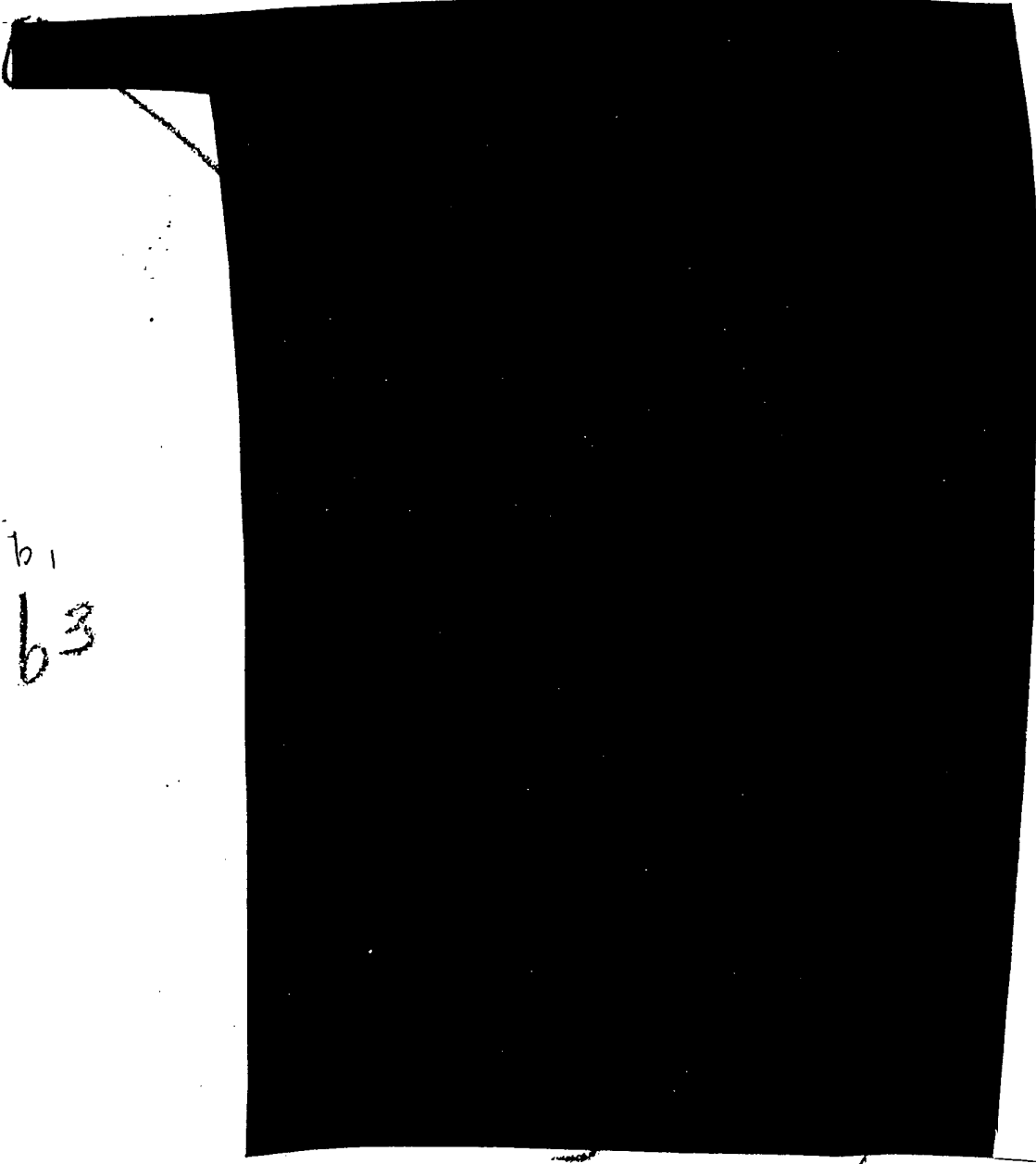
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LEBANON-SYRIA-IRAN: Political Maneuvering Continues

[REDACTED]

Reports in the Beirut press say Hizballah leaders announced yesterday that they would agree to a limited deployment of Syrians into the southern suburbs, but no authoritative statements have come yet from the Shia radicals.

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b3 [REDACTED] Eventually Assad almost certainly will have to move troops into the suburbs, if only to observe a cease-fire. He wants Iran to understand that Syria is the preeminent power in Lebanon and to prove to Amal that it can depend on Syrian support. But Assad will continue diplomatic efforts to disarm Hizballah and arrange a cease-fire to minimize the cost of sending Syrian troops into the suburbs. [REDACTED] b3

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SRI LANKA: Sinhalese Violence Continues Despite Accord

Sinhalese Marxist Janatha Vimukthi Peramuna Insurgents killed at least 12 people this week, despite their group's reported agreement with the government to turn in its arms and give up violence. Government forces are now conducting sweeps in the southern provinces in search of the murderers. Insurgent leaders now claim they were misrepresented and never signed an agreement, casting doubt on its validity. The government nevertheless says it will not reimpose the ban on the JVP or conduct offensive operations if the insurgents abide by the terms of the accord. [REDACTED] b3

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b3 [REDACTED] Colombo's hope that it has ended the violence in the south is fading. The government is trying to put the best face on its actions. It has somewhat disarmed its political opponents by allowing the JVP to enter the political process and can argue that the JVP's disregard for the agreement undermines the organization's credibility. Nevertheless, JVP extremists will probably intensify violence as the election early next month approaches. [REDACTED] b3

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EL SALVADOR: Ruling-Party Factions Vying for Power

The two competing factions within Salvadoran President Duarte's Christian Democratic Party are discussing separate plans with the rightwing National Republican Alliance to resolve the legislative paralysis that resulted from the election in March. [REDACTED] b3
[REDACTED] the faction led by Fidel Chavez Mena would cooperate with the Alliance, thus allowing the National Assembly to meet with an Alliance majority. In return, the Alliance—through the Central Elections Council—would recognize Chavez's faction, which would enable him to overturn the presidential nomination of Julio Rey Prendes, his party rival. Rey Prendes announced on Wednesday that he is also meeting with the Alliance to work out a separate deal.

b3 [REDACTED] Any agreement that settles the legislative dispute should ease fears of military intervention. The split within the Christian Democrats, however, will probably be aggravated by the competing negotiations with the Alliance. Rey Prendes is a skilled politician and could still become the Christian Democratic presidential candidate. The leaders of both factions seem willing to run separate campaigns if they lose the party nomination. [REDACTED] b3

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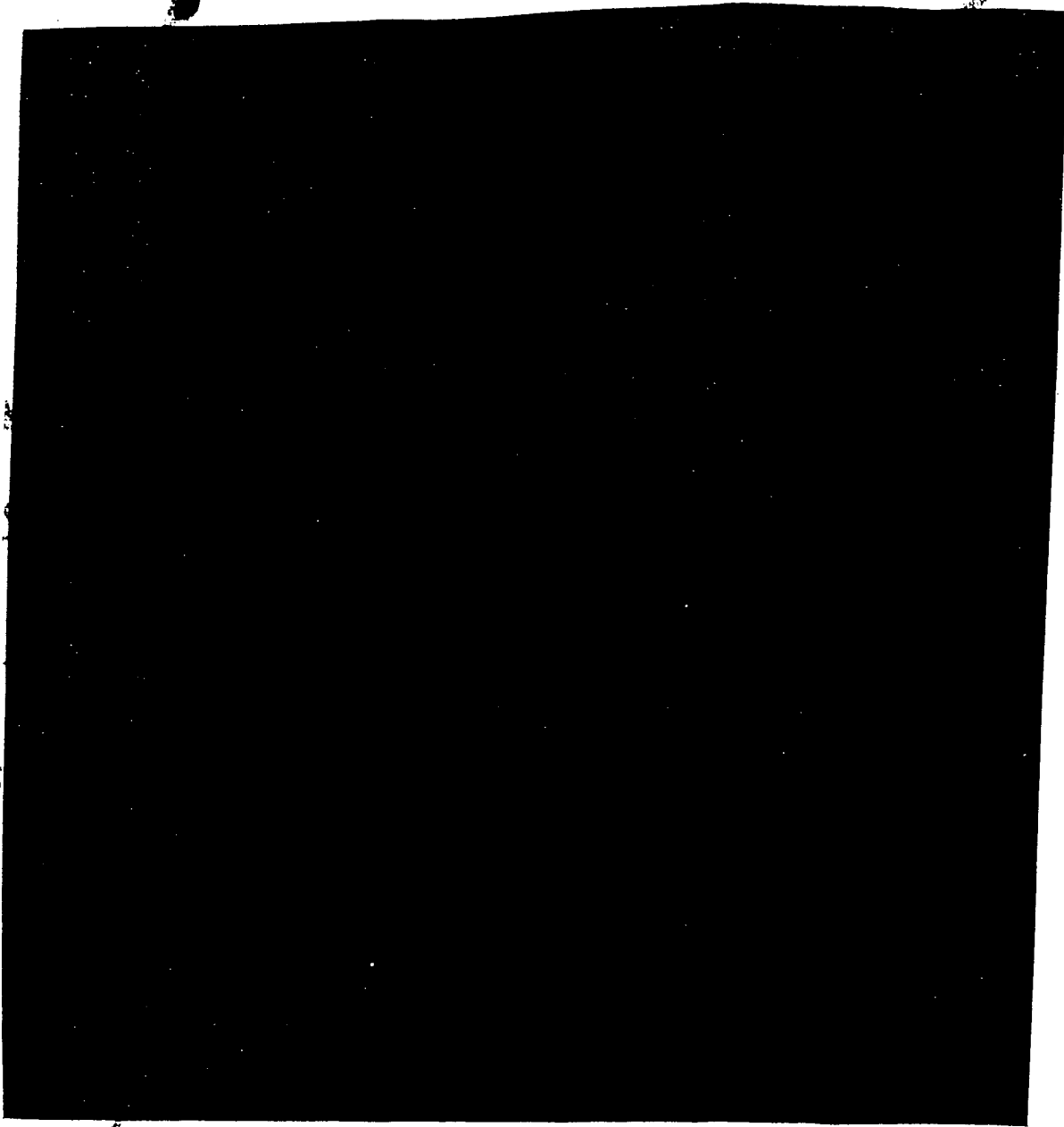
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TAIWAN: New Mainland Policy

Taiwan's ruling party will approve a new policy toward the mainland in July, according to press reports. It will acknowledge the growing contacts with China but will continue to characterize them as unofficial. Some believe the party will also permit direct trade between Taiwan and China, as long as it is handled by private firms. Taipei may use its unofficial Council for External Trade and Development, which handles trade with other Communist countries, to arrange trade with China.

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Taipei's flexibility reflects a belief that it can foster a less hostile relationship with Beijing. Direct trade with the mainland would be a major victory for reformers who argue that it will help local businessmen diversify their export markets. The reformers probably also believe the move will strengthen the party's popularity for Taiwan's legislative election next year.

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USSR: Warning Austria About EC Membership

Soviet Foreign Ministry spokesman Gennadly Gerasimov this week indicated Moscow would consider an Austrian application for EC membership incompatible with Austria's permanent neutrality. The Soviet statement follows an announcement by Austrian Economic Minister Graf last week that Vienna probably would apply for EC membership next year and indications from EC officials that Austria will have no special status if it eventually becomes a member. Gerasimov's objections, which the Soviet Ambassador to Austria and other officials echoed, stressed that Austria, as an EC member, would have to abide by EC decisions that the Soviets view as increasingly oriented toward political-military issues. [REDACTED] b3

b3 [REDACTED] Soviet objections to Austrian-EC ties have narrowed slightly in recent years so that Moscow does not oppose closer Austrian economic alignment with the EC, but it still vigorously objects to Austria actually joining the EC without reservations preserving its neutrality. [REDACTED] EC membership will not endanger their country's neutral status and that membership will be essential to Austria's economic well-being, once the EC's internal market reforms are complete in 1992. Austria will probably proceed to apply for membership despite Soviet complaints, which may lead Moscow to increase pressure on Vienna to satisfy Soviet objections first. [REDACTED] b3 b (3)

EC-CEMA: Mutual Recognition Near

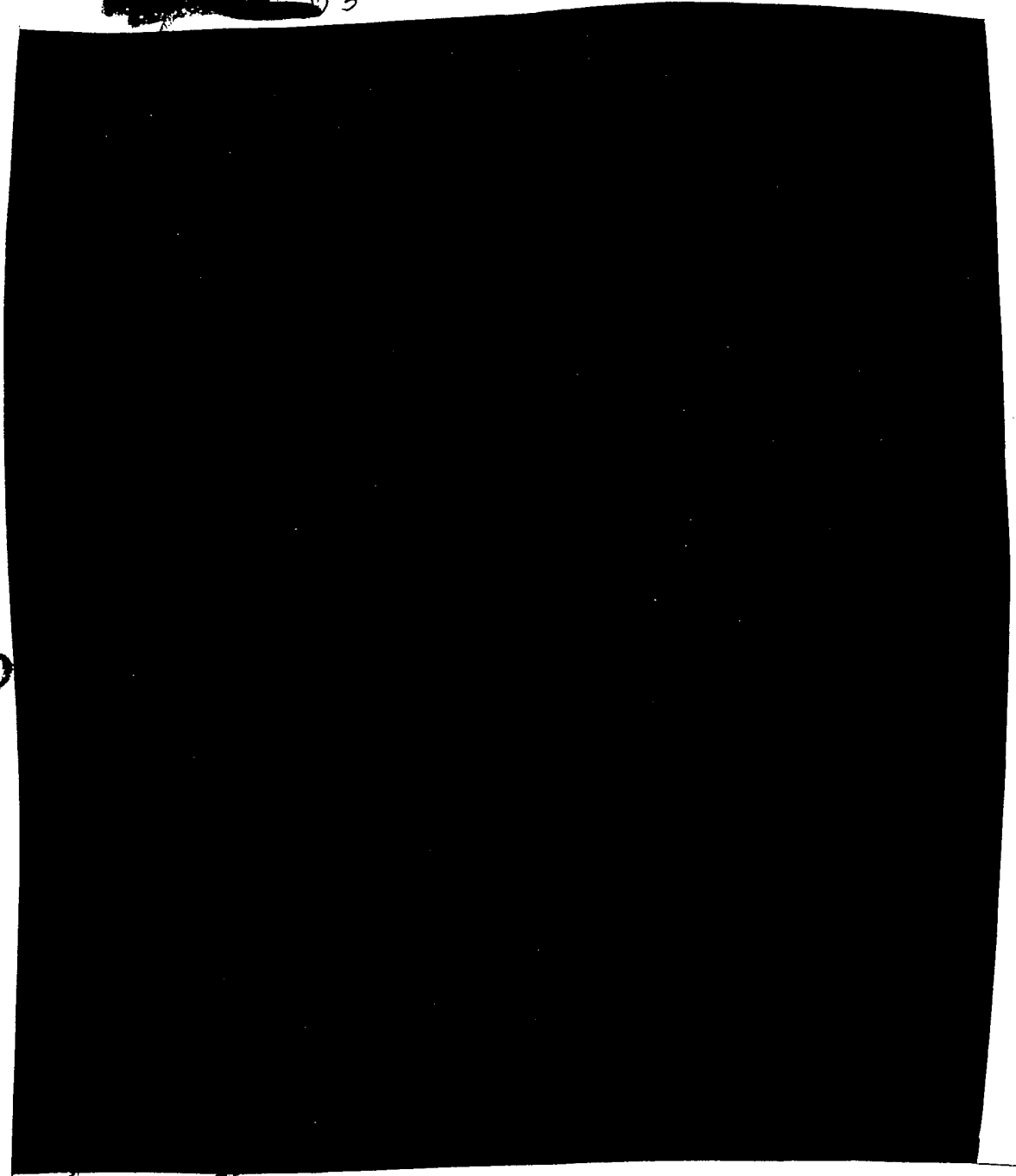
EC member states are optimistic that an agreement establishing diplomatic relations between the EC and CEMA can be signed before Bonn turns over the EC presidency to Athens in July. [REDACTED] b3 [REDACTED] Apparently a compromise on the sticking point that has held up negotiations for more than a year—the EC's insistence that CEMA recognize West Berlin as EC territory—is at hand. [REDACTED] b3

b3 [REDACTED] The USSR, East Germany, and Bulgaria would almost certainly recognize the EC soon after the accord is signed; the EC has insisted the accord be accompanied by progress in direct contacts with individual East European states. The accord may also put pressure on the EC to conclude trade talks with Hungary, currently stalemated by the reluctance of EC member states to remove quotas on Hungarian exports. [REDACTED] b3

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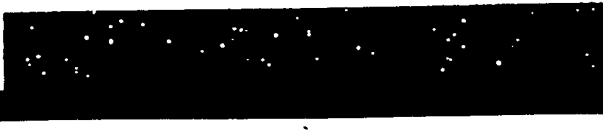
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In Brief

Middle East

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Americas

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— Drug traffickers in Colombia may react violently to US conviction of Carlos Lehder yesterday ... verdict may endanger US officials in Colombia, elsewhere ... [REDACTED]

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— Marxist rebels may be linked to recent killing of Salvadoran judge ... [REDACTED] ... consistent with intensified efforts to assassinate government officials, increase urban terrorism. [REDACTED]

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East Asia

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— Protests in South Korea marking 1980 Kwangju riots largely peaceful, [REDACTED] ... students slightly damaged USIS building Wednesday in show of anti-US sentiment ... threw noise bombs, tried to enter Embassy compound this morning. [REDACTED]

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[REDACTED]

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Europe

— West German Economics Minister and FDP Party Chairman Bangemann to resign positions, seek EC Commission presidency ... selection of new minister certain to increase friction in coalition ... ex-Minister Lambsdorff likely successor as party head. [REDACTED]

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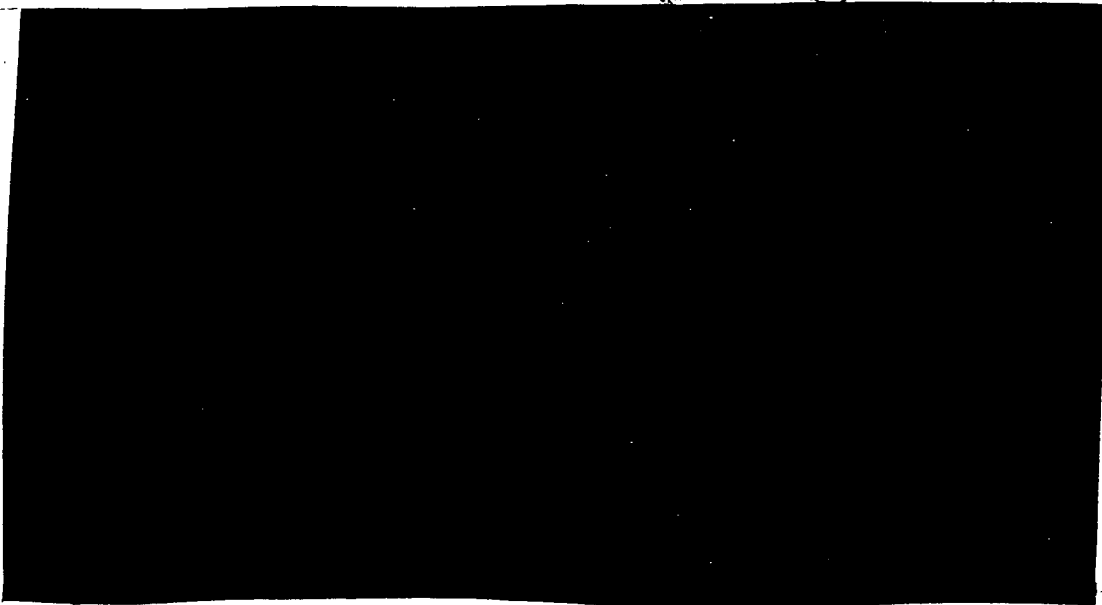
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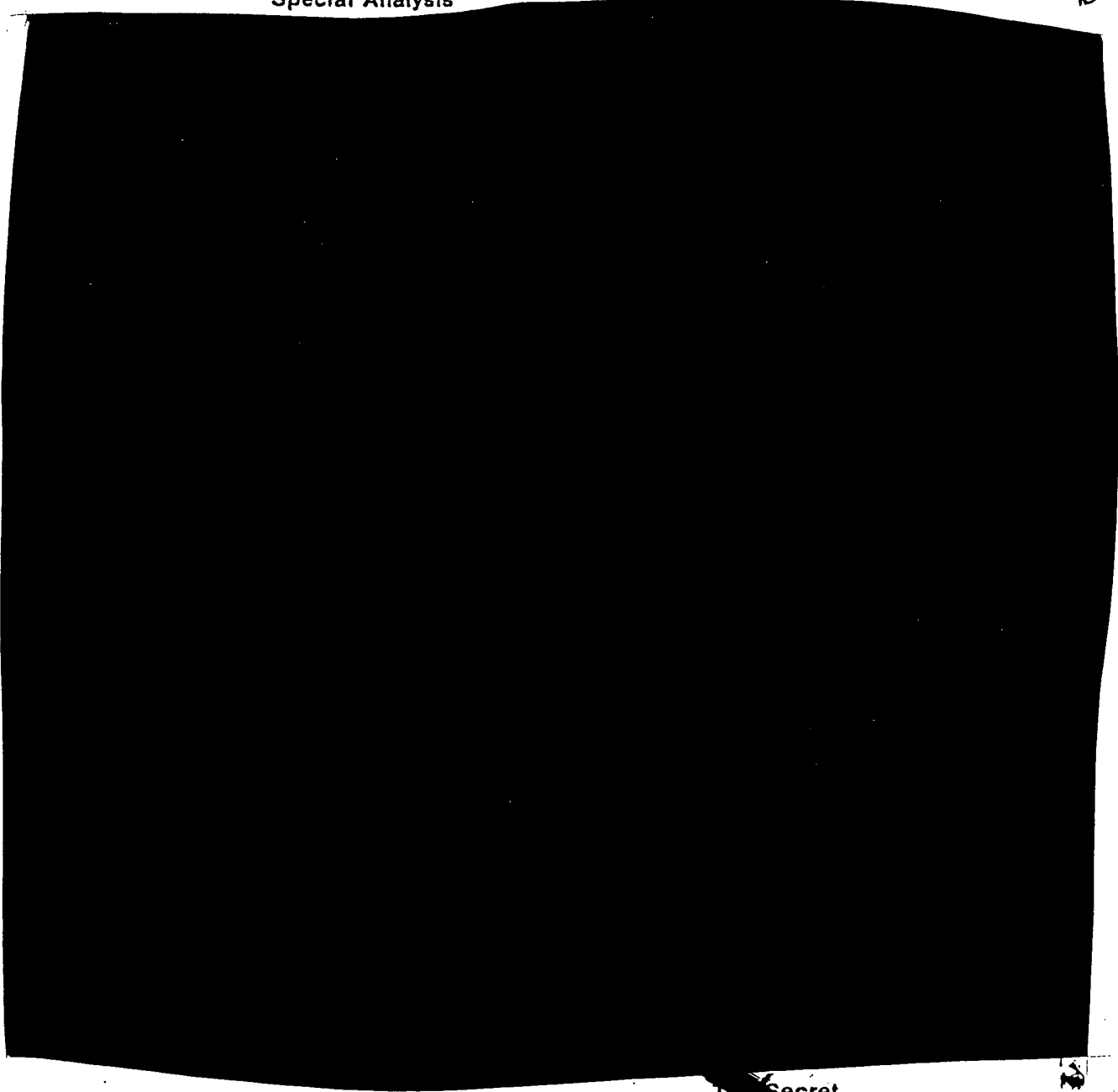
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Special Analysis



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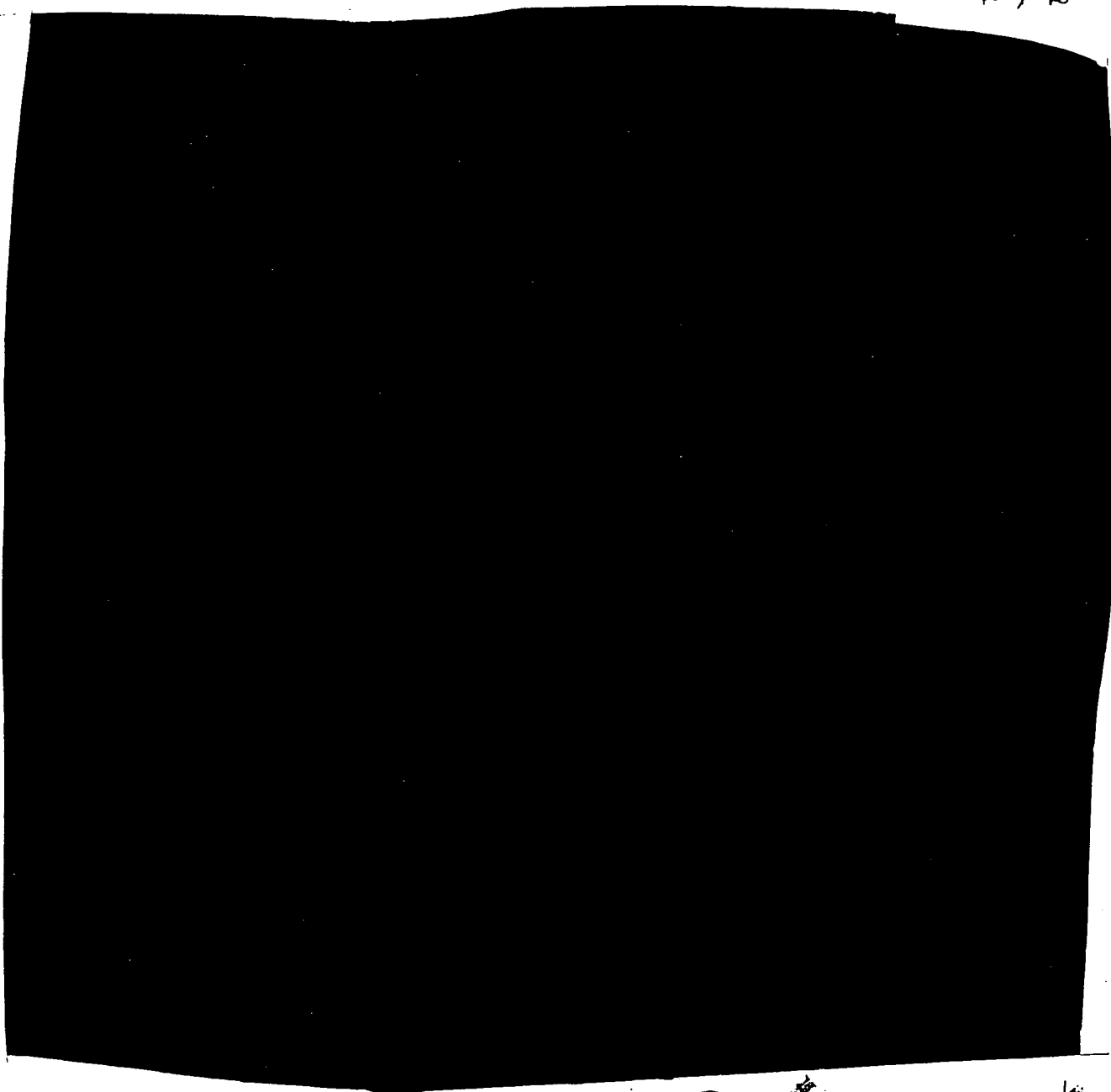
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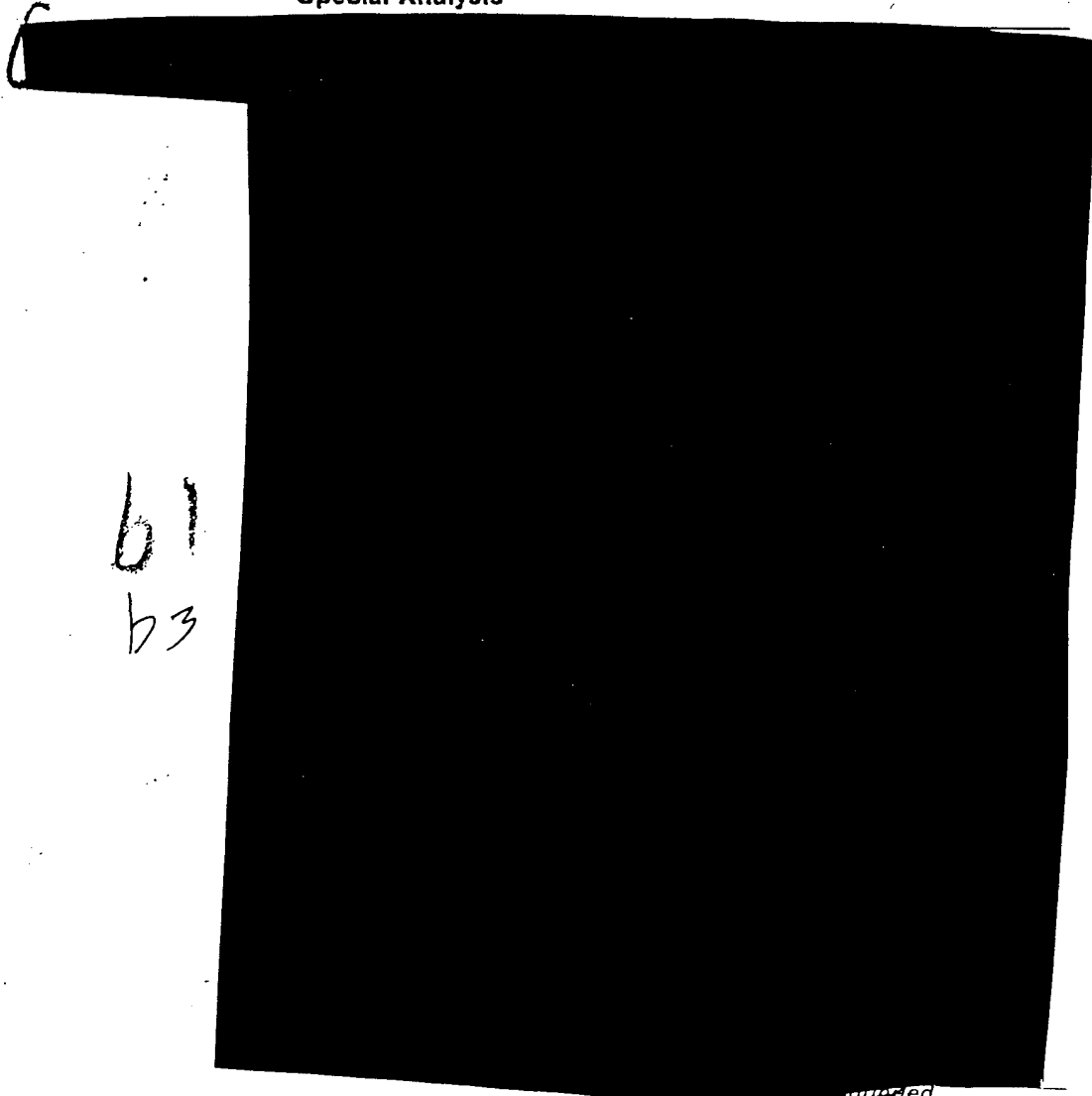
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Special Analysis



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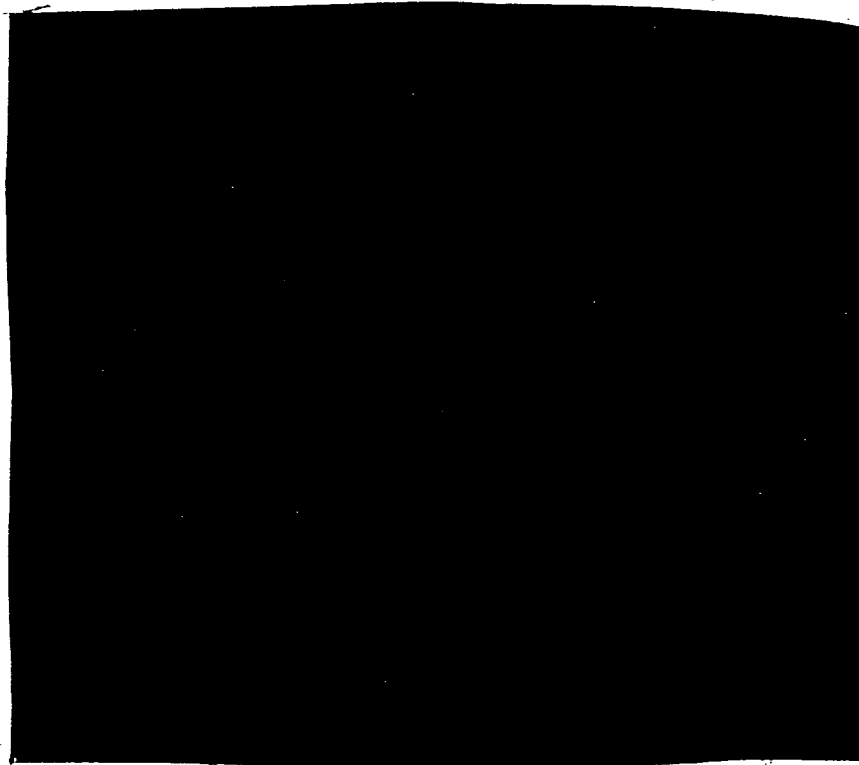
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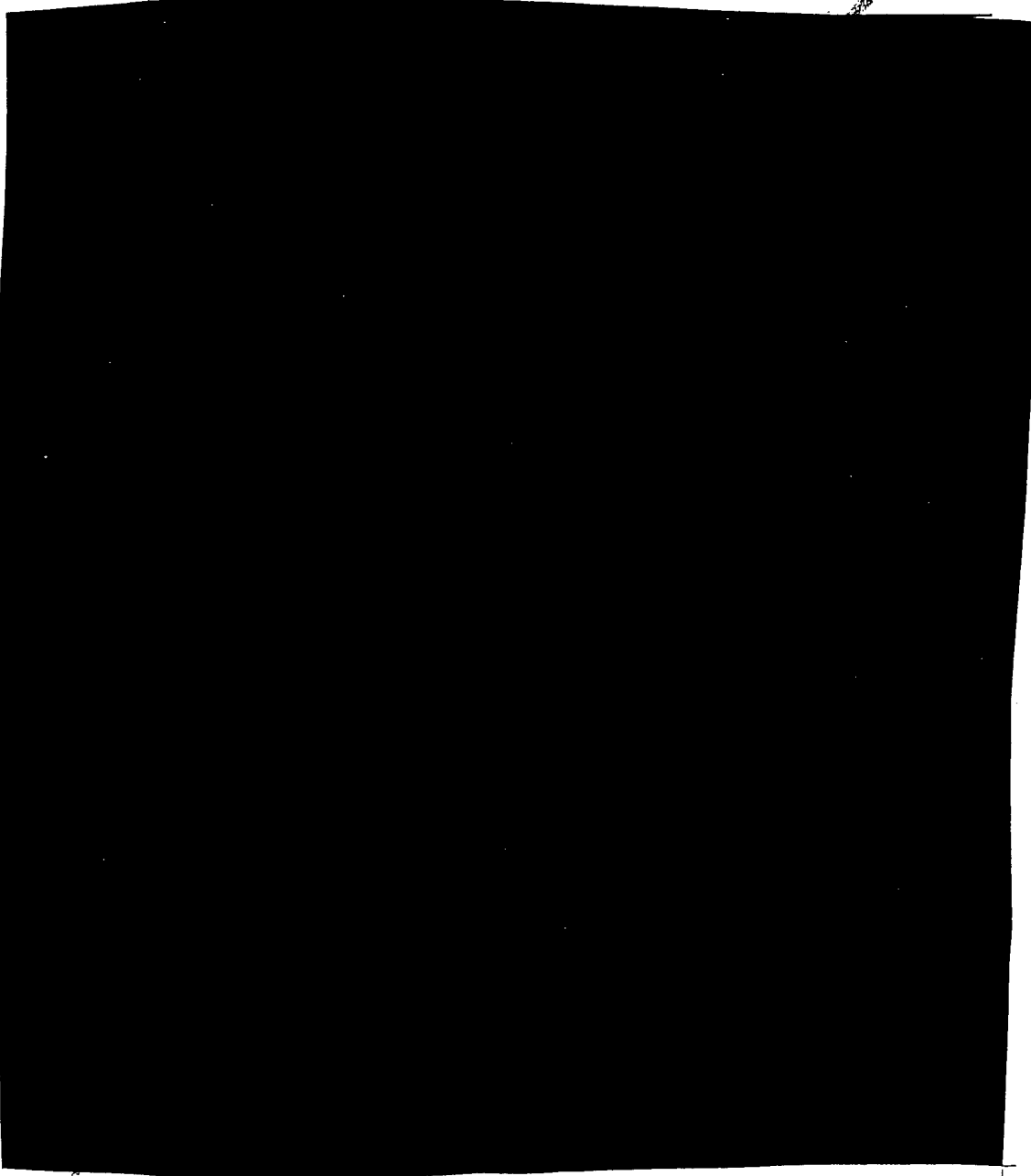
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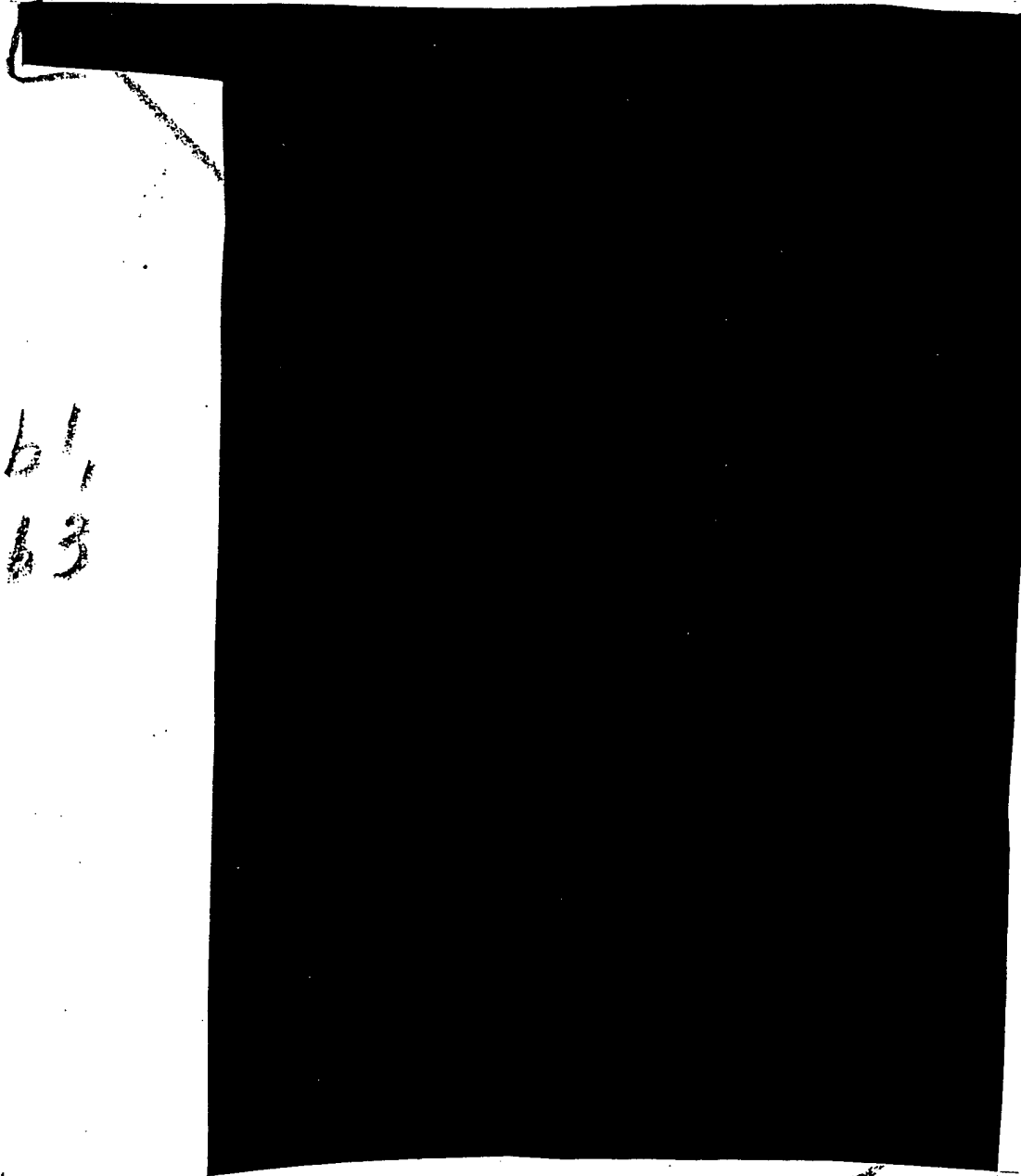
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Special Analysis



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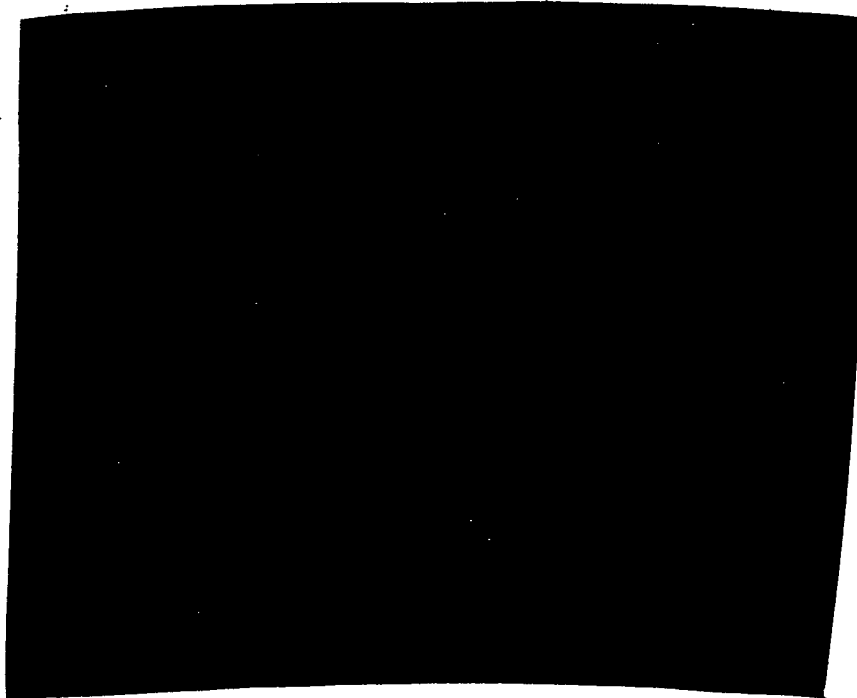
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Special Analysis

HUNGARY:

First Party Conference Since 1957

Hungary's party conference, which opens today, will make some leadership changes, and General Secretary Kadar's position has never been more threatened. The conference will do little to deal with the country's economic and social problems, which will increasingly fuel political tensions and infighting. b3

b1 b3 [redacted] Kadar probably will retain his position as General Secretary, but rumors are widespread in Budapest that Premier Karoly Grosz will replace him. [redacted]

b (3)

[redacted] that illness had weakened Kadar and that others will be running things, but Kadar will remain in the leadership as long as he lives. If Kadar remains General Secretary, the replacement of ailing Deputy General Secretary Lazar with a vigorous young leader, such as Politburo member Janos Berecz or Premier Grosz, would be the clearest indication the General Secretary has lost some of his power and is preparing to end his career, possibly at the 1990 party congress. [redacted] b1 b3 b (1) b (3) Premier Grosz has a good chance to become party leader eventually, but Kadar apparently is still pulling the strings. [redacted] b (3) that Grosz has had to ask Kadar several times about the anticipated results of the conference in order to determine whether they would affect his scheduled trip to the US this summer. [redacted] b3

b1, b3 [redacted] Kadar is under great pressure to invigorate the leadership; the changes will probably reflect more emphasis on competence than on the quotas of various occupation groups. [redacted] b3

b (1) b (3)

Kadar's report is likely to focus on improvements in internal party democracy and to reassure the rank and file that their concerns are heard at the highest levels. Kadar probably will call for the government, the parliament, and other institutions such as the trade unions to play greater and more independent roles in the political process. While defending the leading role of the party, he will argue that it ought to concentrate on broad policy direction and allow other organizations to handle details. Kadar also may propose that day-to-day control shift from the Central Committee apparatus to basic party organizations in enterprises and other bodies. [redacted] b3

The conference will probably sidestep such controversial topics as the content and pace of economic change unless Grosz believes he faces a critical opportunity. [redacted] there would be "no sensations" at the conference, which would only set up committees to work on reform issues, and that intense debate on reform would be delayed for two or three months. The party is badly divided over the causes and solutions to the country's problems. [redacted] b3

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